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**STATEMENT
OF THE
AMERICAN SOCIETY OF TRAVEL AGENTS
SUBMITTED
BEFORE

THE MONTANA STATE LEGISLTURE
HOUSE TAXATION COMMITTEE**

Submitted by:

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January 23, 2007

STATEMENT
OF THE
THE AMERICAN SOCIETY OF TRAVEL AGENTS

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, ON BEHALF OF THE MEMBERS OF THE AMERICAN SOCIETY OF TRAVEL AGENTS (ASTA), TODAY WE ASK THAT THIS STATEMENT BE MADE PART OF THE HOUSE TAXATION COMMITTEE'S HEARING RECORD ON HB 147.

ASTA IS THE LEADING PROFESSIONAL TRAVEL TRADE ORGANIZATION IN THE WORLD. ITS CURRENT MEMBERSHIP CONSISTS OF APPROXIMATELY 6,000 TRAVEL AGENTS ACROSS THE NATION, WITH A TOTAL MEMBERSHIP OF 20,000 MEMBERS IN SOME 140 COUNTRIES. THE SOCIETY REPRESENTS BOTH TRADITIONAL AND ONLINE TRAVEL AGENCIES.

IF ADOPTED, HB 147 WILL HAVE A LONG ARM REACH AND PROFOUND NEGATIVE IMPACT NOT ONLY ON MONTANA TRAVEL AGENCIES, BUT THE ENTIRE U.S. TRAVEL AGENCY COMMUNITY, OF WHICH 98 PERCENT ARE SMALL BUSINESSES. ALSO TO BE CONSIDERED ARE THE ECONOMIC RAMIFICATIONS THIS LEGISLATION WILL HAVE ON THE STATE OF MONTANA'S TRAVEL AND TOURISM INDUSTRY IN GENERAL.

MY GUESS IS THAT YOU ARE WONDERING WHY TRADITIONAL BRICK AND MORTAR TRAVEL AGENCIES ARE SO TROUBLED ABOUT HB 147 WHEN ON THE SURFACE THIS LEGISLATION APPEARS TO TARGET ONLY THE BIG ONLINE AGENCIES. BUT THE UNDERLYING CIRCUMSTANCES OF THE BILL THREATEN AN ENTIRE INDUSTRY OF TRAVEL AGENCIES REGARDLESS OF WHETHER THEY ARE THE TRADITIONAL MAIN STREET OR THE ONLINE BUSINESSES. SINCE THE EVOLUTION OF THE INTERNET, TRADITIONAL BRICK AND MORTAR TRAVEL AGENCIES HAVE ALSO TAKEN ADVANTAGE OF THE OPPORTUNITIES THE INTERNET PROVIDES AND HAVE EMBRACED THIS TECHNOLOGY AS WELL.

TRADITIONAL TRAVEL AGENCIES' AND ONLINE AGENCIES' BUSINESS MODELS ARE MORE SIMILAR THAN YOU THINK. THE INTERNET HAS BECOME AN IMPORTANT TOOL FOR THE TRAVEL AGENCY INDUSTRY. CONSUMERS CONTINUE TO USE AGENT SERVICES BECAUSE THEY PROVIDE CONVENIENCE AND INCOMPARABLE ONE-STOP SHOPPING FOR A HOST OF TRAVEL PRODUCTS AND SERVICES, INCLUDING BOOKING HOTEL ROOMS. THE INTERNET HELPS THEM COMPETE IN FINDING THEIR CLIENTS INFORMATION AND CHOICES TO MAXIMIZE THE VALUE OF THEIR PURCHASES. MANY SO-CALLED "TRADITIONAL" TRAVEL AGENTS ARE ADDING BOOKING ENGINES TO THEIR WEB SITES.

PREVENTING THE PASSAGE OF HB 147 IS IMPORTANT TO ASTA. THE BILL SEEKS TO IMPOSE A NEW HOTEL OCCUPANCY TAX TO SERVICES PROVIDED BY TRAVEL INTERMEDIARIES. MONTANA WOULD BE THE

FIRST JURISDICTION TO SUBJECT INTERMEDIARY SERVICE FEES TO HOTEL OCCUPANCY TAXES. THIS NEW TAX PROPOSAL UNDERMINES THE BUSINESS RELATIONSHIP OF HOTELS AND INTERMEDIARIES. IT WILL FORCE INTERMEDIARIES TO RETHINK THE COST OF DOING BUSINESS IN MONTANA. THIS ACTION FALLS HARDEST ON LOCAL, INDEPENDENT HOTELS, WHICH RELY ON TRAVEL AGENTS TO PROMOTE LOCAL HOTEL PROPERTIES.

TAXING TRAVEL AGENCY FEES CHARGED IN CONJUNCTION WITH HOTEL BOOKINGS WOULD REQUIRE TRAVEL AGENCIES TO EITHER ABSORB THE TAX OR PASS THE TAX ONTO CONSUMERS IN THE FORM OF HIGHER PRICES. THIS COULD CAUSE CONSUMERS TO MOVE THEIR BUSINESS ELSEWHERE OR AVOID THEIR TRAVEL PURCHASE ALTOGETHER. TRAVEL AGENT SERVICE FEES ARE NOT PART OF THE HOTEL OCCUPANCY EQUATION. THEY ARE DESIGNED TO COMPENSATE AGENTS FOR THE PROFESSIONAL VALUEE ADDED SERVICES THEY PROVIDE TO THE TRAVEL CONSUMER. IT WOULD BE WRONG TO TAX TRAVEL AGENT SERVICES UNDER THE GUISE OF HOTEL TAXES. THIS TAX WOULD PARTICULARLY HARM SMALL BUSINESSES WHO ARE THE BACKBONE OF THE U.S. ECONOMY.

THE OTHER DOWNFALL WITH HB 147 IS THAT INCREASING TAXES ON TOURISM WILL RESULT IN FEWER HEADS IN BEDS. IT WILL DEPRIVE MONTANA OF THE MULTIPLIER EFFECT THAT TOURISM BRINGS. FEWER VISITORS AND CONVENTIONEERS WILL MEAN FEWER PEOPLE TAKING TAXIS, DINING IN RESTAURANTS, ATTENDING BALLGAMES, AND VISITING

TOURIST ATTRACTIONS AND SHOPPING ESTABLISHMENTS. THE NET EFFECT MAY WELL BE A NET LOSS OF OVERALL TAX AND TOURISM REVENUE.

BY OVER-TAXING THE VARIOUS COMPONENTS OF TRAVEL, IT IS A SUREFIRE WAY OF ROLLING UP THE STATE'S WELCOME MAT. ONCE A DESTINATION IS OVERBURDENED WITH STATE AND LOCAL TAXES, REGARDLESS OF WHETHER IT IS A HOTEL ROOM, A CAR RENTAL, AN AIRPORT FEE OR A COMBINATION OF ALL, THE TRAVEL DESTINATION BECOMES COST PROHIBITIVE AND IS INCREASINGLY AVOIDED.

TOURISM IS AN IMPORTANT PART OF MONTANA'S ECONOMY. ASTA BELIEVES IN THE GROWTH AND PROSPERITY FOR THE STATE OF MONTANA AND THE COMMUNITIES IN WHICH ITS ASTA MEMBERS CONDUCT THEIR BUSINESSES. BUT ASTA ALSO BELIEVES ONE MUST RECOGNIZE THE FUNDAMENTAL IMPORTANCE OF FAIR TAXATION THAT PREVAILS IN THE PERCEPTION AND PRACTICE OF GOOD AND REASONABLE GOVERNMENT.

ON BEHALF OF ALL ASTA MEMBERS, WE ASK THIS COMMITTEE TO REEVALUATE THE CONSEQUENCES OF HB 147 AND PREVENT IT FROM BECOMING LAW.

Respectfully Submitted:

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American Society of Travel Agents
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January 19, 2007

Representative Bob Lake, Chair
Montana House Committee on Taxation
State Legislature of Montana
Capitol Station
Helena, MT 59620

RE: January 23, 2007 Hearing on H.B. 147

Dear Chair Lake:

The American Resort Development Association (ARDA) is the Washington D.C.-based professional association representing the vacation ownership and resort development industries. Established in 1969, ARDA today has over 1,000 members ranging from privately held firms to publicly traded companies and international corporations with expertise in shared ownership interests in leisure real estate. The membership also includes owner associations (HOAs), resort management companies, and owners through the ARDA Resort Owners Coalition (ARDA-ROC).

ARDA opposes H.B. 147 as we believe it will discourage tourism in Montana by increasing taxes on resort home owners and visitors alike. Further, much of the new language in the bill is vague and over-broad and, therefore, possibly subject to challenge. While ARDA supports payment of taxes on traditional transient rentals of vacation properties, we believe H.B. 147 is overreaching.

ARDA respectfully opposes this bill and asks that the Committee vote against passage of H.B. 147. Thank you.

Very truly yours,

Stephany A. Madsen
Senior Vice President

cc: Vice-Chair Jill Cohenour
Vice-Chair John Sonju
Members of the Committee

January 19, 2007

The Honorable Bob Lake
Chairman, Committee on Taxation
State Legislature of Montana
Helena, MT 59620



VIA ELECTRONIC MAIL

Re: Montana House Bill 147

Dear Chairman Lake:

I am writing as the Chairman of the Business Travel Coalition to express concern about legislation your Committee is considering which would create a new tax on travel agent facilitation fees relating to the reservation and booking of travel services. I hope you will oppose this anti-consumer, anti-tourism legislation.

Such incremental taxes issued on top of already high occupancy tax rates would inevitably be passed on to business travelers, as would the considerable costs of compliance and remittance. Importantly, the services travel management companies provide to client corporations as well as leisure travelers are completely separate from the room rent charged by hotel operators.

The attempt to impose occupancy taxes on such services as if they were room rent is misguided, and if left unchecked, could have a profoundly negative effect on an innovative hotel distribution service which benefits consumers all over the country and local communities in Montana alike.

BTC urges you to support a pro-tourism, pro-consumer way forward and oppose House Bill 147.

Sincerely,

Kevin Mitchell

Kevin Mitchell

Business Travel Coalition, Inc.
214 Grouse Lane • Suite 210 • Radnor, PA 19087

(610-341-1850)



January 19, 2007

The Honorable Bob Lake
Chairman
House Committee on Taxation
State Legislature of Montana
Capitol Station
Helena, MT 59620

Dear Mr. Chairman:

The National Tour Association is the nation's leading trade association focused on the promotion and development of packaged travel. I join my colleagues from the American Society of Travel Agents in expressing NTA's opposition to H.B. 147 introduced by Rep. Mike Jopek. This legislation seeks to impose a new service tax on travel agents and tour operators and I am seeking your assistance to prevent any further advancement of this unfavorable bill.

If this tax becomes law, it will require travel agents and tour operators to either absorb the tax or pass on the cost of the tax to travelers in form of higher prices. Even though the bill seems to target online travel agencies, traditional brick and mortar travel agents and tour operators are adding booking engines to their web sites in ever-increasing numbers. In today's highly competitive marketplace, the Internet has become an important business tool for agents and operators to supply information so that consumers can maximize the value of their purchases.

The underlying effect of this bill also has the potential to seriously impede the future growth of Montana's travel and tourism industry. Once a destination is overburdened with zealous state and local taxes, regardless of whether it's for a hotel room, a car rental, an airport fee or a combination of all, the travel destination becomes cost prohibitive and is therefore avoided.

Mr. Chairman, please reconsider the consequences of H.B. 147 will have on Montana's tourism industry. Let's all work together to keep Montana's travel industry thriving and growing. Do not hesitate to contact me at matt.grayson@nta.travel if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Matt Grayson".

Matt Grayson
Director, Industry and Government Relations
National Tour Association

January 19, 2007

Honorable Michael Jopek
Montana House of Representatives
Helena, Montana

Dear Representative Jopek:

On behalf of Avis Budget Group, Inc. ("ABG") and its subsidiary brands Avis Rent A Car System, LLC ("Avis") and Budget Rent A Car System, Inc. ("Budget"), I am writing to express significant concern and opposition to the provisions of House Bill 147.

The fiscal note for this legislation reads in part "This bill clarifies the fees charged by intermediaries, such as online reservation services, are part of the base on which...the accommodations sales tax and rental car sales tax is collected".

Based on this description, it would seem that any fees which Avis or Budget pay to third parties for making a reservation becomes a taxable event to the rental car company in the event that no payment is made to the online agency from a consumer (such as Orbitz, Expedia, etc.) or in the event that funds are remitted to the online travel company then it is the online company's obligation to collect and remit the tax (as in the case of Priceline).

If this understanding is correct, it seems that the greatest tax burden will squarely fall on the rental car company's doing business in Montana. Moreover, there is no mechanism in which it would appear that a separate line item be added to a rental car transaction for the consumer to pay the sales tax, but rather that this be added to the base price. Many of the items listed in Section 10 of the bill are optional services provided by the rental car company at the request of the consumer and traditionally occur at the rental counter. Moreover, to add this fee into such base pricing seems to be deceptive as it is not an element of our base price.

This also creates a significant undue burden in systems development since booking fees to the various online travel services differ. In viewing the definition of intermediary, it would seem that not only the more recognized online travel companies would be effected, but so too would online partners such as airlines, hotels and travel agencies including companies which utilize on line direct connections as well as traditional brick and mortar travel agencies, would in fact all be viewed as intermediaries.

Booking fees are contract terms between a rental car company and providers which are subject to taxation by the online company's pursuant to traditional tax law. This effectively creates a second tax on the same transaction and occurrence. Stated differently, when Avis or Budget pays booking fees to an online travel agency, tax payment represents income to the online company and is taxable by the online company. A second tax will then be levied on the same events under this proposal.

The legislation also is deficient in understanding the nature of this rental car business. By the way edification there is no sale which is consummated at the time of reservation, but rather a reservation constitutes only an invitation deal. While someone makes a reservation, it does not by necessity mean the transaction will occur. In fact, there are a number of situations where reservations are cancelled or where the consumer simply does not show up. In addition, it is also not uncommon for the same consumer to modify a reservation based on changed needs in travel accommodations. This bill would seem to indicate that each modification to the same reservation becomes a taxable event.

This bill also seems to head in a direction which no state, or the federal government has attempted to go, to wit, levying a tax on an internet transaction.

Avis Budget Group, Inc. believes this bill to be laden with significant issues and deficiencies and believes there are more prudent ways to increase revenue, not the least of which would be simply increasing the general sales tax rate. The growing trend of states and municipalities to levy taxes on travelers or tourist has hit a record level and in many places we now can see the below the line charges including taxes to exceed the base rental rates. This simply is not fair to consumers and not fair to single out the tourism industry which already contributes significantly to the states economy.

Avis Budget Group, Inc. respectfully requests you to reconsider this legislation and opposes it in its current form.

Robert E. Muhs
V.P. Government Affairs & Counsel